



# http://retail.axa-im.co.uk/axa-property-trust

AXA Property Trust Limited is an authorised closed-ended Guernsey registered investment company with a premium listing on the official list and trades on the main market of the London Stock Exchange.

The investment objective of the Company is to secure attractive total returns for shareholders through a combination of dividends and capital appreciation from European properties (including the United Kingdom).

The Company aims to achieve its investment objective through a policy of investing in commercial properties across Europe (including the United Kingdom) which are predominantly freehold (or its equivalent) and in the following segments of the commercial property market: offices, retail (both in and out of town), industrial and 'other' sectors, including leisure and hotels.

Residential investments are not considered except where they form a small part of a larger commercial investment. The Company will not acquire any interests in properties which are in the course of construction unless pre-letting agreements exist in respect of at least 80% of the surface area of the relevant property.

The Company may invest in properties through joint ventures if the terms of any such joint ventures effectively allow it to trigger a disposal of the underlying properties held through the joint ventures or to dispose of its interest in the joint ventures at a time of the Company's choice. The Company will not invest in other investment companies.

Investment decisions are based on analysis of, amongst other criteria, prospects for future capital and income growth, sector and geographic prospects, tenant covenant strength, lease length and initial and equivalent yields.



AXA Property Trust Limited is a member of the Association of Investment Companies

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Phönix Center, Fürth, Germany

# **Key Financial Information**

### For the six months ended 31 December 2012

- Total return on Net Asset Value ("NAV") was (2.4%)
- Sterling currency NAV decreased by 2.4% to £58.56 million (Euro currency NAV decreased by 2.7% to €72.20 million)
- Losses were 2.57 pence per share
- Share price increased by 15.7% to 36.75 pence per share
- No dividends were paid relating to the six month period

# As at 31 December 2012

- NAV was 58.56 pence per share (30 June 2012: 60.02 pence)
- Share price<sup>1</sup> was 36.75 pence per share (30 June 2012: 31.75 pence)
- Gearing<sup>2</sup> was 44.3% (gross) and 41.8% (net) (30 June 2012: 50.0% and 46.0%)



# **Performance Summary**

	Six months ended	Year ended	
	31 December 2012	30 June 2012	% change
Net Asset Value ("NAV") (£000s)	58,559	60,023	(2.4%)
NAV per share	58.56p	60.02p	(2.4%)
Losses per share	(2.57p)	(0.79p)	n/a
Dividends relating to the period/year	0.00p	1.75p	n/a
Dividends paid during the period/year	0.00p	2.50p	n/a
Share price <sup>1</sup>	36.75p	31.75p	15.7%
Share price discount to NAV	37.2%	47.1%	n/a
Gearing (gross) <sup>2</sup>	44.3%	50.0%	n/a
Total assets less current liabilities (£000s) <sup>3</sup>	107,495	108,9164	n/a

Total return	Six months ended 31 December 2012	Six months ended 31 December 2011
NAV Total Return	(2.4%)	(13.2%)
Share price Total Return		
- AXA Property Trust	15.8%	(14.5%)
- FTSE All Share Index	8.7%	(6.2%)
- FTSE Real Estate Investment Trust Index	13.2%	(27.7%)

<sup>&</sup>lt;sup>1</sup> Mid market share price (source: Datastream).

Source: AXA Investment Managers UK Limited and Datastream

Past performance is not a guide to future performance. The value of investments can go down as well as up. You may not get back the original amount invested.

<sup>&</sup>lt;sup>2</sup> Gearing is calculated as overall debt, either gross or net of cash held by the Group over property portfolio at fair value.

 $<sup>^{\</sup>rm 3}$  Includes bank debt classified as a current liability.

<sup>&</sup>lt;sup>4</sup> Includes cross currency swap classified as a current liability.

# Chairman's Statement



Charles Hunter, Chairman

The medium-term prospects for the portfolio of AXA Property Trust Limited (the "Company") remain reasonable and debt held is at a comparatively low level, but background property market conditions show little change with no discernible sign of imminent improvement. The capital value of the Company is now under £60 million and the current share price discounts this considerably; the costs of running an international property portfolio well, lead to an expense charge which diminishes distributable revenue profits substantially. As announced in December 2012 the Board has recommended that the Company should commence a managed realisation of assets, while maximising value and making returns of capital. A circular seeking Shareholder approval to this change of policy will be issued during March 2013.

#### Results

The Company and its subsidiaries (together the "Group") made a total net loss after tax of £2.57 million for the six months ended 31 December 2012. Before movements on the revaluation of investments and derivatives and related deferred tax, foreign exchange gains and losses and other capital items, the Group made a profit of £1.28 million ("revenue profit"). The unrealised loss on the revaluation of properties was £2.16 million (1.93% of the market value at 30 June 2012) excluding foreign exchange translation effects.

The Net Asset Value ("NAV") at 31 December 2012 was £58.56 million (58.56 pence per share) (30 June 2012: £60.02 million (60.02 pence per share)). The 2.4% decrease since 30 June 2012 was mainly a result of the £2.16 million valuation loss on investment properties and a £0.97 million unfavourable movement in the mark-to-market fair value of financial instruments. No dividends were paid during the period.

As at close of business on 31 December 2012, the mid market price of the Company's shares on the London Stock Exchange had risen by 15.7% since 30 June 2012 to 36.75 pence (30 June 2012: 31.75 pence), representing a discount of 37.2% to the Company's NAV at 31 December 2012 (30 June 2012: 47.1%).

### **Dividend**

No dividends were declared during the period. As advised in the Annual Report for the year ended 30 June 2012, the Company has suspended dividends for the short-term in order to manage its cash and debt positions more prudently.

The dividend policy will be reviewed again following an Extraordinary General Meeting ("EGM") planned for April 2013 at which the Board's proposal in relation to a managed wind down of the Company will be considered.

### **Bank Finance and Deleveraging**

Both the loan-to-value ("LTV") and interest cover ratio covenants under the main loan facility with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") of €57.27 million are safely met at 31 December 2012. Asset sales in the period have further reduced the loan balance in July 2012 (Treuchtlingen: €4.05 million) and in December 2012 (Pankower Allee, Berlin: €3.29 million). The loan has no further formal LTV testing dates and is due to expire on 1 July 2016.

The joint venture loan facility at the Company's subsidiary Property Trust Agnadello S.r.I. of €5.69 million (50% of €11.37 million joint venture loan) with Crédit Agricole matured on 14 December 2012, and the Group has successfully completed negotiations to extend the facility to 13 December 2013. The Group has agreed to pay to the lender any surplus cash received on sales in the



portfolio in excess of the allocated loan amount payable under the main loan facility. The payment amount is reduced to the extent that the total cash available to the Group is below €2.00 million. In any event, the Group is obliged to reduce the loan balance to €5.50 million by 14 March 2013 and to €2.00 million by 14 September 2013. The loan is to be fully repaid by 13 December 2013.

# **Prospects**

The Company has built up a quality income producing, diversified, continental portfolio with a focus on food retail in Germany. The Board believes the concept reflected is a credible medium and long-term investment, and it is therefore of great regret that we consider now we should propose a managed wind down.

The proposed strategy will be reviewed in detail in a forthcoming consultation document to be circulated to Shareholders and which will be voted on at an EGM planned for April 2013. The outcome of the EGM vote will have a considerable impact on the future strategy of the Company as well as the portfolio outlook.

As the Investment Manager notes, the property environment remains challenging, and it is impossible to predict with any certainty the outcome of a disposal programme. There is, however, selective investment demand and the Board will support and monitor closely the Investment Manager's disposal policy. It is essential that the disposal process is approached in a way that will realise full value, when judged over the medium-term.

In disposals effected in the last year, the closely managed, negotiated and selective approach has borne fruit with proceeds quite close to previous valuation levels.

The Investment Manager will continue to pursue energetically the potential of the portfolio to produce enhanced income flows through active management informed by professional skill and local knowledge.

"It is essential that the disposal process is approached in a way that will realise full value, when judged over the medium-term."

(! H. Hunter.

**Charles Hunter** Chairman 26 February 2013

# Investment Manager's Report



Martin McGuire, Fund Manager

### **Investment Manager**

AXA Investment Managers UK Limited (the "Investment Manager", "AXA IM") is the UK subsidiary of AXA Investment Managers, a dedicated asset manager within the AXA Group. AXA Investment Managers is an innovative and fast-growing multi-expertise investment manager with €554 billion of assets under management and over 2,400 employees, operating in 22 countries as at 31 December 2012.

AXA Real Estate Investment Managers UK Limited (the "Real Estate Adviser") is part of the real estate management arm of AXA Investment Managers S.A. ("AXA Real Estate"). AXA Real Estate is a specialist in European real estate investment management with approximately €45 billion of real estate assets under management and over 500 staff, operating in 22 countries as at 31 December 2012.

Source: AXA Investment Managers UK Limited

# **Fund Manager**

Martin McGuire has headed the AXA Property Trust Fund Management team since December 2007. He is a Chartered Surveyor and Senior European Fund Manager at AXA Real Estate. He has over 30 years' experience in commercial property with a significant proportion of this in Continental European property. Mr McGuire lived for five years in Brussels where he worked for Jones Lang Wootton. In 1985 he joined Standard Life and led their expansion into the Continental European markets where he managed the investment and development programme over many years taking the exposure to in excess of €1.5 billion and was Fund Manager of the Standard Life Investments' €800 million European Property Growth Fund. Latterly he was Investment Director at Standard Life Investments and managed the £2 billion Unit Linked Life Fund. He holds a degree in Land Economy from the University of Aberdeen and also an Investment Management Certificate. He is resident in the United Kingdom.

### **Economic and Market Overview**

Within the last quarter of 2012 there has been evidence in both quarterly Gross Domestic Product ("GDP") data and more frequent monthly datasets and surveys to suggest that the downturn expected in quarter 4 2012 and quarter 1 2013 has been worse than previously expected. This is reflected in the downward revisions to AXA Real Estate's Research European GDP forecasts for 2013, which have fallen by 0.2% to 0%.

These forecast downgrades were broad-based although some of the largest contributions to the reduction were in the core markets of France, Germany and the UK, where quarter 4 2012 GDP growth surprised on the downside. The downgrade to German growth may come as a surprise given the relative health of the economy, but its export-oriented nature meant that it suffered towards the end of 2012 and into early 2013. Similar factors were at play in both The Netherlands and Sweden, where substantial falls in export orders and industrial production are likely to have caused output to drop markedly in quarter 4 2012, with only flat output likely in quarter 1 2013.

With the economic contraction proving to be deeper and more protracted than previously expected, this has also led to a deferral of AXA Real Estate's expectations of a return to positive growth, with the eurozone not expected to leave recession until quarter 3 2013 at the earliest. Return to growth is expected to be driven by a pick-up in exports (especially to China and other emerging markets), with Germany, Austria and Finland set to grow steadily from quarter 2 2013 onwards. The eurozone region as a whole



will only post positive growth when France's GDP growth rises above zero later in the year.

AXA Real Estate's forecasts are based on a central scenario in which the eurozone remains intact for another 12-18 months, before Greece is either forced to leave or decides of its own accord to do so. However, this event has no major impact on growth estimates because we only expect Greece to leave when doing so is seen by both sides to be in its best interests. As a result, there is no benefit at that stage for Greece to stay in the euro area and the markets would have already priced-in an exit.

However, there remain risks and in 2013 these chiefly stem from political aspects, with both Italian and German elections due. In Italy the risk centres around business and consumer uncertainty in the build-up to the election, coupled with a concern over the new Prime Minister's willingness and ability to make the necessary reforms to support future growth. With Germany, the situation is different in that the domestic political situation is likely to influence the behaviour of German policymakers in dealing with problems arising in the eurozone. Governor Merkel will be keen to ensure she appears to the German voters to be acting firmly against the debtor nations of southern Europe, while attempting to ensure any issues are resolved in the best possible way.

Given the weaker short-term growth outlook, the forecasts for year end 2013 Consumer Price Index ("CPI") inflation have been reduced by 0.2% in both Europe and the eurozone, leaving both at 2.0%. While these figures would appear to be in line with central bank inflation targets, the aggregates hide a large range between Switzerland at 0.5% and Hungary at 4.2%.

The major downward pressure on price growth over the next three years is expected to come from weak domestic demand and this will be a factor in almost all European economies. On the other hand, upwards price pressures will continue to stem from higher food and energy prices, both of which already impacted the price level in 2012. One other factor driving price pressures in 2013 in markets such as Spain, The Netherlands and Finland (all expected to be above 2% at the end of 2013) is a rise in indirect taxes (VAT). As the effects of these one-off changes wear off, inflation is expected to drift downwards from late 2013, falling below the assumed 2% eurozone target by the end of 2014 and into 2015. As a result, CPI will be at or below target in most European countries over the 2013-2015 period.

### Outlook for 2013

### **Retail Sector Outlook**

The modest recovery in retail rental values in 2011 faded in the first half of 2012, as economic growth weakened and consumer confidence deteriorated in the context of the implementation (and extension) of the European austerity programmes. For most countries with 'excess' debt or deficits, austerity programmes are being strengthened further in 2013, providing a still-weaker retail environment. Consumer confidence, as measured by the Organisation for Economic Co-operation and Development leading indicator index, had started to stabilise during the first half of the year (albeit at a low level, but it has now started another downward move).

Consequently, our expectations for European short-term rental value growth (2013-2015) have been reduced to 1.4%. Similarly, our forecasts for retail rental value growth over the next five years have fallen to 1.6% per annum.

Although even these retailers are scaling back and/or deferring their expansion plans, as the economic risks have been over the medium-term, we believe that the strongest



Bahnhofstraße, Karben, Germany



Edeka supermarket, Fürth, Germany

# Investment Manager's Report continued

rental growth will be in the Nordic markets, Austria and the UK (mainly London). At the other end of the spectrum, the southern European markets of Portugal, Spain and Italy are expected to see rental growth declines between 2012 and 2016 – even at the prime end of the markets.

Towards the end of the forecast period, however, even markets that have seen continued retail weakness – Spain is the prime example, which has been experiencing continuous declining retail sales volumes since early 2008 – are expected to see rental value growth, although it is not expected to be strong.

#### **Logistics sector outlook**

Year-on-year growth in global trade and European imports has dropped to its lowest rate since quarter 4 2009. According to AXA Investment Managers' forecasts, global trade has reached a turning point and will improve throughout 2013 – reaching growth of 6% by the year end. This figure may flatter Europe, however, with an increasing proportion of world trade being intra-Asia rather than between Asia and Europe or intra-Europe. However, there is a strong correlation (0.8) of European GDP to prime industrial rental value growth, and prime rental values are likely to come under downward pressure in 2013, with even stronger falls for secondary property. A stabilisation and rise is unlikely to occur before 2014 and we are only forecasting prime European industrial rental values to grow 0.8% per annum between 2013 and 2015, with prime rental value growth failing to exceed inflation to 2016 in both Europe and the eurozone.

### **Investment market outlook**

Although the valuation system was initially very responsive to the falls in value in many European countries, it subsequently failed to move sufficiently to reflect the further economic shifts that were occurring. The exception was prime property which our analysis suggests is still 'fairly priced', despite price increases in post-recession, on the basis of current bond yields. In the next two to two-and-a-half years, the risk is a downside (downside in capital value terms) one relating to yields, but as we progress into the second half of the five year forecast period, property risks will shift to being both upside and downside, albeit skewed to the upside for prime property, as there will be little grade A property having been developed or vacated during the first half of the period.

That is the point at which we would expect, on average, secondary property to start producing positive returns. For that to occur, it needs to de-price. Selling pressure is likely to arise from closed-ended funds liquidating, banks needing to raise capital, borrowers needing to refinance and governments needing to raise capital. We believe that 2013 and 2014 will see selling activity which will establish the reality of pricing in the secondary markets.

For 2013 and 2014, our total return forecast has not changed significantly, but the subsequent years are now forecast to be much lower. Those changes are a combination of (a) lower rental value growth in all years, but particularly in 2013 and 2014, although rents and capital values will not be immediately affected – that will come as the effects filter through in the latter years of the forecast period and (b) raised yields forecast for 2015 and 2016, as the low rental value growth is factored into valuations and prices.

### **Asset Management Update**

At Fürth, Germany, two potential tenants have been identified to take a lease of the ex-Edeka unit and negotiations are ongoing with both. However, the letting market currently remains weak in a difficult economic environment.

The negotiations to extend the lease with the tenant Xerox at Venray, The Netherlands, continue to progress. The advisor believes that agreement should be reached before the end of quarter 1 2013.

The negotiations with the existing tenant at Agnadello, Italy have been difficult and long. The tenant has recently offered to commit to an extra year at the property in exchange for a capital contribution from the landlord. The offer is being considered in light of the local market conditions and the Company's recently proposed change in strategy.

Following the successful sale of four assets during 2012, achieving values just three percent below valuation, a further five assets have been identified for sale during 2013. These are the Keyser Center in Belgium, and the assets located at Dresden; Montabaur; Köthen; and Braunschweiger Strasse, Berlin, all in Germany.

An offer has been accepted for the asset at Dresden for consideration of €2.10 million, compared to the valuation at 31 December 2012 of €1.97 million. This offer has been accepted and due diligence was successfully completed. The



notarisation of the sale is expected to take place by the end of February 2013. Offers have also been received on three of the other assets and negotiations are ongoing.

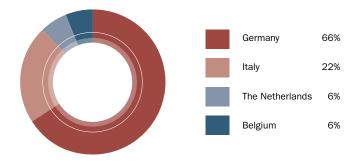
# **Property Portfolio at 31 December 2012**

Investment name	Country	Sector	Net yield on valuation <sup>1,2</sup>	% of total assets
Phönix Center, Fürth	Germany	Retail	6.25%	18.86%
Rothenburg ob der Tauber	Germany	Retail	7.66%	15.36%
Curno, Bergamo	Italy	Leisure	7.13%	12.53%
Bergamina, Agnadello	Italy	Industrial	8.65%	9.59%
Bahnhofstraße, Karben	Germany	Retail	7.71%	6.26%
Am Birkfeld, Dasing	Germany	Industrial	6.20%	6.10%
Smakterweg, Venray	The Netherlands	Industrial	10.10%	5.73%
Keyser Center, Antwerp	Belgium	Retail	6.91%	5.73%
Industriestraße, Montabaur-Heiligenroth	Germany	Retail	9.07%	5.44%
Frankfurter Strasse, Wuerzburg	Germany	Retail	7.24%	3.66%
Eppinger Strasse, Kraichtal	Germany	Retail	7.44%	3.36%
Die Weidenbach, lindheim – Altenstadt	Germany	Retail	8.21%	2.50%
Elsdorfer Weg, Köthen	Germany	Retail	7.57%	2.11%
Marie Curie Strasse, Dresden	Germany	Retail	12.87%	1.45%
Braunschweiger Strasse, Berlin	Germany	Retail	8.63%	1.32%
Total property portfolio			7.61%	100.00%

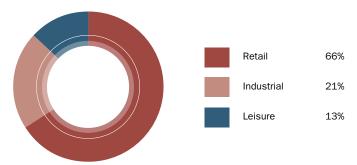
<sup>&</sup>lt;sup>1</sup> Net yield on valuation is based on the current market valuation after deduction of property-specific acquisition costs and operating costs.

Details of all properties in the portfolio are available on the Company's website http://retail.axa-im.co.uk/axa-property-trust under, Portfolio - Our Presence.

# Geographical Analysis at 31 December 2012 by Market Value



# Sector Analysis at 31 December 2012 by Market Value



Source: AXA Real Estate Investment Managers UK Limited

 $<sup>^{\</sup>rm 2}$  Source - external independent valuers to the Company, Knight Frank LLP.

# Investment Manager's Report continued

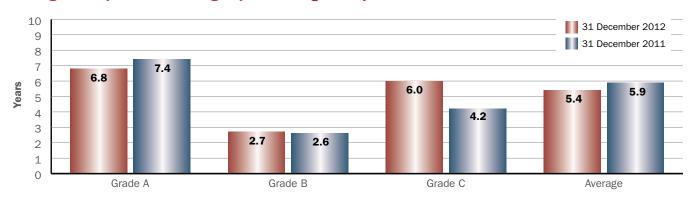
# **Covenant Strength Analysis at 31 December 2012**

(based on rental income)

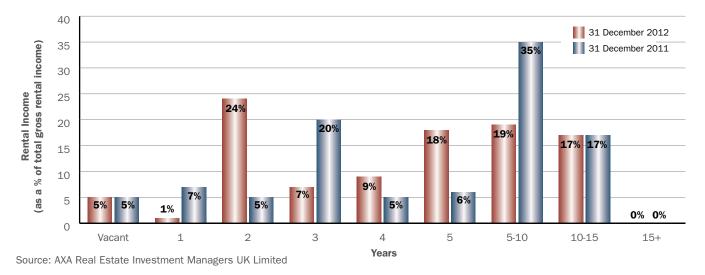
Grade A	41.1%	Creditreform:<199; D&B:A 1
Grade B	26.3%	Creditreform:200-249; D&B:B,C,D 1,2
Grade C	27.3%	Creditreform:>250; D&B: D + 3,4
Vacant	5.3%	

The Company's tenant covenant profile is strong, with 41.1% of tenants rated Grade A, indicating a high credit rating score. Rental income from Grade A covenants has a weighted unexpired lease length of 6.8 years. The average rent-weighted unexpired lease length for the investment portfolio as at 31 December 2012 was 5.4 years. Vacant space in the portfolio on 31 December 2012, measured using estimated market rent, represented 5.3% of the total gross rental income.

### Average unexpired lease length profile weighted by rental income



### **Lease expiry profile** weighted by rental income



### **Financing and Hedging Arrangements**

#### **Agnadello Loan Facility**

The facility of €5.69 million (50% of €11.37 million) at the joint venture subsidiary Property Trust Agnadello S.r.I. with counterparty Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") matured on 14 December 2012, and the Group has successfully completed negotiations to extend the facility to 13 December 2013. The Group has reduced the loan by an amount of €2.00 million from €7.69 million, and has agreed to pay to the lender any surplus cash received on sales in the portfolio in excess of the allocated loan amount payable under the main loan facility. The payment amount is reduced to the extent that the total cash



available to the Group is below €2.00 million. In any event, the Group is obliged to reduce the loan balance to €5.50 million by 14 March 2013 and to €2.00 million by 14 September 2013. The loan is to be fully repaid by 13 December 2013.

### **Main Loan Facility**

The loan-to-value ("LTV") ratio under the main loan facility with Crédit Agricole of €57.27 million stands at 46.5%, compared to a covenant of 60%. The loan was reduced through asset sales in the period at Treuchtlingen and Pankower Allee, Berlin, with loan payments made of €4.05 million and €3.29 million respectively. The actual interest cover ratio at 31 December 2012 stands at 321.62%, compared to the covenant of 200%. The loan has no further formal LTV testing dates and is due to expire on 1 July 2016.

#### **Hedging Arrangements**

As at 31 December 2012, the Group has hedged foreign currency exposure in respect of £0.90 million (€1.12 million) quarterly interest receipts in Euro through the use of cross currency swaps which are in place for the period 16 August 2012 to 16 May 2014.

#### **Cash Position**

The Group held total cash of £2.77 million (€3.41 million) at 31 December 2012.

The Group monitors the cash position in all subsidiaries to ensure that all working capital needs are managed across the Group.

Capital expenditure is currently planned at Fürth of circa €0.4 million for the first half of 2013, and a further €0.5 million at other assets in the portfolio.

#### Portfolio Outlook

Whilst sentiment toward the eurozone has become more positive over the last six months the euro crisis is far from over and continues to have significant impact on the operation of the markets. The property environment in which the Company operates continues to be challenging and will remain so for the foreseeable future and this is true for both the occupational and investment markets. Against such market conditions the resilience of the assets in the Company's portfolio has been encouraging.

The proposed revised strategy for the Company was announced in December to pursue a managed wind-down of the portfolio with a return of capital to Shareholders. This will be reviewed in detail in a forthcoming consultation document to be circulated to Shareholders and which will be voted on at an Extraordinary General Meeting ("EGM") planned for April 2013. The outcome of the EGM vote will have a considerable impact on the future strategy of the Company as well as the portfolio outlook.

Over the next 6-12 months the Investment Manager's priority will be securing income and active asset management through the extension of existing leases and re-letting of the remaining vacant space in the portfolio. Parallel to this the Investment Manager will continue to monitor the market to identify the most opportune timing to introduce assets to the market. This supports the announced strategy to reduce the Group's debt exposure. The Investment Manager's ability to sell assets at valuation in a difficult environment has been demonstrated in the past with the successful completion of four targeted sales in 2012.

The relative stability of the core European economies should result in increased interest from investors in good secondary assets such as the ones in the portfolio. Although cross border investment is likely to continue to be subdued, local investors will continue to fuel demand for well let assets. The Investment Manager's ability to take advantage of these factors will be crucial to either re-instate dividend or return capital to Shareholders.

Source: AXA Real Estate Investment Managers UK Limited

# **Board of Directors**

Charles Hunter (Chairman) has over 30 years of experience in property investment, principally in UK commercial property. He was Head of Property Investment of Insight Investment (formerly Clerical Medical Investment Group) for some nine years and before that Property Director of the investment management subsidiaries of The National Mutual of Australasia group in the United Kingdom. He is a Council member of St Monica Trust, Bristol. Mr Hunter is a Fellow of the Royal Institution of Chartered Surveyors and a member of the Investment Property Forum. He is resident in the United Kingdom.

Richard Ray is Managing Director of AXA Real Estate Investment Managers Belgium S.A. He has over 25 years of property experience, especially in the commercial real estate markets in Belgium and in other parts of Europe. Prior to joining AXA, he was the Head of Investment at ATIS REAL August Thouard S.A. From 1987 to 2000, he worked with CB Richard Ellis S.A. (formerly Richard Ellis S.A.), first as an Investment and Valuation Surveyor and then as a Manager in the Investment department. In 1994, Mr Ray was appointed Director of Investment, Valuation and Research. He is a member of the Royal Institution of Chartered Surveyors and certified as a "Titulaire" of the Belgian Institut Professionel de l'immobilier (Real Estate Institute). He is resident in Belgium.



Stephane Monier has over 20 years of experience in fixed income, foreign exchange markets and asset allocation. Mr Monier is currently the Deputy Global Chief Investment Officer at Lombard Odier Investment Managers ("LOIM"). He is responsible for various sectors including money market, government bonds, corporate bonds, emerging market debt, currencies and absolute return. Prior to joining LOIM, Mr Monier was Global Head of Fixed Income and Currencies at Fortis Investments from 2006 to 2009. Prior to joining Fortis Investments itself, he was Head of Fixed Income and Currency in the Abu Dhabi Investment Authority from 1998 to 2006 and he spent seven years in JP Morgan Investment Management as a Fixed Income Manager both in London and Paris from 1991 to 1998. Mr Monier has a Masters Degree in Science from INAPG (Paris) and a Masters Degree in International Finance from HEC Graduate School of Business (Jouy en Josas) (France). He is also a CFA charterholder. He is resident in Switzerland.

John Marren is a Director of Northern Trust International Fund Administration Services (Guernsey) Limited where he is Head of Client Servicing. Prior to joining Northern Trust International Fund Administration Services (Guernsey) Limited in 1992, he worked for KPMG in Guernsey where he was responsible for the audit of a portfolio of entities in the finance industry. Mr Marren currently holds a number of non-executive board appointments in fund management and investment companies including several real estate funds. He has a Bachelor of Commerce Degree from University College Galway in Ireland, is a Fellow of the Institute of Chartered Accountants in Ireland and a Member of the Institute of Bankers in Ireland. He is resident in Guernsey.





**Gavin Farrell** is qualified as a Solicitor of the Supreme Court of England and Wales, a French Avocat and an Advocate of the Royal Court of Guernsey. He is a Partner at Mourant Ozannes, Advocates & Notaries Public in Guernsey, having worked previously at Simmons and Simmons, both in Paris and London, and specialises in international and structured finance and collective investment schemes. Mr Farrell holds a number of directorships in investment and captive insurance companies. He is resident in Guernsey.



# Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the Condensed Half Year Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting; and
- this Half Year Report provides a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Half Year Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could materially affect the financial position or performance of the entity.

By order of the Board

C. J. H. Hunter.

**Charles Hunter** 

Chairman 26 February 2013 John Marren

Director

26 February 2013

# Independent Review Report to AXA Property Trust Limited

### Introduction

We have been engaged by AXA Property Trust Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 which comprises the condensed half year consolidated income statement, condensed half year consolidated statement of comprehensive income, the condensed half year consolidated statement of changes in equity, the condensed half year consolidated statement of financial position, the condensed half year consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual consolidated financial statements are prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FSA.

**Robert A Hutchinson** 

for and on behalf of KPMG Channel Islands Limited Chartered Accountants and Recognised Auditors, Guernsey

26 February 2013



# Condensed Half Year Consolidated Income Statement

(unaudited)

# For the six months ended 31 December 2012

	Notes	Period ended 31 December 2012 £000s	Period ended 31 December 2011 £000s
Gross rental income	3	5,021	6,074
Service charge income		408	203
Property operating expenses		(990)	(918)
Net rental and related income		4,439	5,359
Valuation loss on investment properties	6	(2,161)	(3,061)
Net loss on disposal of investment properties	6	(326)	-
General and administrative expenses	4	(1,243)	(1,505)
Operating profit		709	793
Net foreign exchange (loss)/gain		(352)	521
Net (loss)/gain on financial instruments	10	(969)	509
Net finance cost		(1,992)	(2,139)
Loss before tax		(2,604)	(316)
Income tax income/(expense)		38	(166)
Loss for the period		(2,566)	(482)
Basic and diluted loss per ordinary share (pence)		(2.57)	(0.48)

# Condensed Half Year Consolidated Statement of Comprehensive Income

(unaudited)

# For the six months ended 31 December 2012

	Notes	Period ended 31 December 2012 £000s	Period ended 31 December 2011 £000s
Loss for the period		(2,566)	(482)
Effective portion of changes in fair value of hedges		577	(2,881)
Foreign exchange translation gain/(loss)		525	(6,477)
Other comprehensive income/(expense) for the period		1,102	(9,358)
Total comprehensive expense for the period		(1,464)	(9,840)



# Condensed Half Year Consolidated Statement of Changes in Equity

# For the six months ended 31 December 2012

	Revaluation reserve £000s	Hedging reserve	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
Balance at 1 July 2012	(47,085)	(3,753)	6,780	92,948	11,133	60,023
Net loss	(3,130)	-	564	-	-	(2,566)
Other comprehensive income	-	577	-	-	525	1,102
Total comprehensive expense for the period	(3,130)	577	564	-	525	(1,464)
Contributions by and distributions to owners						
Dividends to equity holders (Note 5)	-	-	-	-	-	-
Balance at 31 December 2012	(50,215)	(3,176)	7,344	92,948	11,658	58,559

### For the six months ended 31 December 2011

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
Balance at 1 July 2011	(43,609)	(1,138)	6,593	92,948	19,943	74,737
Net loss	(2,552)	-	2,070	-	-	(482)
Other comprehensive expense	-	(2,881)	-	-	(6,477)	(9,358)
Total comprehensive expense for the period	(2,552)	(2,881)	2,070	-	(6,477)	(9,840)
Contributions by and distributions to owners						
Dividends to equity holders (Note 5)	-	-	(1,250)	-	-	(1,250)
Balance at 31 December 2011	(46,161)	(4,019)	7,413	92,948	13,466	63,647

# Condensed Half Year Consolidated Statement of Financial Position

### As at 31 December 2012

	Notes	31 December 2012 £000s (Unaudited)	30 June 2012 £000s (Audited)
Non-current assets		(21131313121)	(**************************************
Investment properties	6	110,398	111,777
Deferred tax assets		122	58
Current assets			
Cash and cash equivalents		2,765	4,884
Trade and other receivables	7	1,633	1,511
Investment properties held for sale	6	-	9,952
Total assets		114,918	128,182
Current liabilities			
Trade and other payables	8	2,812	2,713
Current portion of long-term loans	9	4,611	16,499
Derivative financial instruments	10	-	54
Non-current liabilities			
Deferred tax liability		441	703
Long-term loans	9	44,336	44,337
Derivative financial instruments	10	4,159	3,853
Total liabilities		56,359	68,159
Net assets		58,559	60,023
Share capital		-	-
Reserves		58,559	60,023
Total equity		58,559	60,023
Number of ordinary shares		100,000,000	100,000,000
Net asset value per ordinary share (pence)		58.56	60.02

The accompanying notes on pages 22-29 form an integral part of these condensed half year financial statements.

By order of the Board

C. J. H. Hunter.

**Charles Hunter** Chairman

26 February 2013

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John Marren Director

26 February 2013



# Condensed Half Year Consolidated Statement of Cash Flows

(unaudited)

# For the six months ended 31 December 2012

	Notes	Period ended 31 December 2012 £000s	Period ended 31 December 2011 £000s
Operating activities			
Loss before tax		(2,604)	(316)
Adjustments for:			
Loss on investment properties and financial assets		2,487	3,061
Loss/(gain) on financial instruments		969	(509)
(Increase)/decrease in trade and other receivables		(145)	985
Increase/(decrease) in trade and other payables		181	(1,639)
Net finance cost		1,992	2,139
Net foreign exchange loss/(gain)		352	(521)
Net cash generated from operations		3,232	3,200
Interest income received		2	6
Interest paid		(1,442)	(1,385)
Tax paid		(233)	(323)
Net cash inflow from operating activities		1,559	1,498
Investing activities			
Capital expenditure on completed investment properties	6	(747)	(1,470)
Proceeds from disposal of investment properties	6	9,928	-
Net cash inflow/(outflow) from investing activities		9,181	(1,470)
Financing activities			
Crédit Agricole Ioan facility repaid		(12,268)	-
Dividends paid	5	-	(1,250)
Net cash outflow from financing activities		(12,268)	(1,250)
Effect of exchange rate fluctuations		(591)	(324)
Decrease in cash and cash equivalents		(2,119)	(1,546)
Cash and cash equivalents at start of the period		4,884	4,149
Cash and cash equivalents at period end		2,765	2,603

# Notes to the Condensed Half Year Consolidated Financial Statements

### 1. Operations

AXA Property Trust Limited (the "Company") is a limited liability, closed-ended investment company incorporated in Guernsey. The Company invests in commercial properties in Europe which are held through its subsidiaries. The Condensed Half Year Consolidated Financial Statements of the Company for the six month period ended 31 December 2012 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

# 2. Significant accounting policies

### (a) Statement of compliance

The Condensed Half Year Consolidated Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting'. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2012, which were prepared under full IFRS requirements.

#### (b) Basis of preparation

The same accounting policies and methods of computation have been applied to the Condensed Half Year Consolidated Financial Statements as in the Consolidated Financial Statements for the year ended 30 June 2012. The Condensed Half Year Consolidated Financial Statements are presented in Sterling which is also the functional currency of the Company. The Condensed Half Year Consolidated Financial Statements have been prepared on a historical cost basis except for the measurement of the investment properties, derivative financial instruments and financial assets designated at fair value through profit or loss.

The preparation of the Condensed Half Year Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Quarterly valuations of investment properties are carried out by Knight Frank LLP, external independent valuers, in accordance with the RICS Appraisal and Valuation Standards. The properties have been valued on the basis of open market value, which is the estimated amount for which a property should exchange on the date of valuation, in an arm's-length transaction.

### (c) Determination and presentation of operating segments

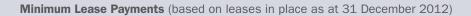
The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, being investment in properties in Europe including the United Kingdom. Geographic and Sector analyses of the segment are included in the Investment Manager's Report on page 11.

### (d) Going concern

The Board believes that it is in the interests of Shareholders to begin the process of a managed and orderly realisation of assets, while maximising value and making returns to Shareholders. As a result, the Board intends to publish a circular seeking Shareholder approval to this change of policy during March 2013. These proposals could affect the life span of the Company. Whilst the exact timing of a possible orderly realisation of the Company's outstanding investment portfolio is uncertain, it is the Board's opinion that it is unlikely to be concluded within the next 12 months and therefore the Board has prepared these financial statements on a going concern basis. Should the managed wind down be successful there would be no material difference between this presentation and the presentation as a nongoing concern.

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future as the Company has sufficient cash and other liquid assets to cover its operational expenses. In this respect four assets were sold during 2012, with a further five being identified for sale during 2013. The repayment of the Agnadello loan facility, as disclosed in note 9, is dependent on the successful realisation of these assets.

# 3. Gross rental income





Gross rental income for the six months ended 31 December 2012 amounted to £5.02 million (2011: £6.07 million). The Group leases out all of its investment property under operating leases.

# 4. General and administrative expenses

	31 December 2012 £000s	31 December 2011 £000s
Administration fees	(238)	(256)
General expenses	(105)	(157)
Audit fees	(125)	(155)
Legal and professional fees	(176)	(177)
Directors' fees	(47)	(53)
Insurance fees	(20)	(21)
Sponsor's fees	(23)	(25)
Investment management fees	(509)	(661)
Total	(1,243)	(1,505)

# 5. Dividends

		Rate	31 December 2012	31 December 2011
Dividend payment date	No. of Ordinary Shares	(pence)	£000s	£000s
2 September 2011	100,000,000	0.75	-	750
29 November 2011	100,000,000	0.50	-	500
24 August 2012	100,000,000	0.00	-	-
23 November 2012	100,000,000	0.00	-	-
Total				1,250

# Notes to the Condensed Half Year Consolidated Financial Statements continued

# 6. Investment properties

	31 December 2012 £000s	30 June 2012 £000s
Cost of investment properties at beginning of period/year	129,216	135,249
Capital expenditure during the period/year	542	1,303
Disposals during the period/year	(9,646)	(6,997)
Net loss on disposals during the period/year	(326)	(339)
Cost of investment properties at end of period/year	119,786	129,216
Fair value adjustments	(37,046)	(34,885)
Foreign exchange translation	27,658	27,398
Market value of investment properties at end of period/year	110,398	121,729
Investment properties classified as current assets held for sale	-	(9,952)
Non-current investment properties	110,398	111,777

### Investment properties held for sale

Notwithstanding the proposals to change the investment policy and commence a managed wind down of the portfolio, all of the properties are classified as investment properties as they do not meet the IFRS 5 criteria to be classified as held for sale.

# 7. Trade and other receivables

### Amounts falling due within one year:

	31 December 2012 £000s	30 June 2012 £000s
Tax receivable (witholding, corporate and income)	788	733
Other receivables	76	67
VAT receivable	189	215
Rent receivable	128	103
Accrued income	327	196
Prepayments	124	196
Interest on deposits	1	1
Total	1,633	1,511

The book values of trade and other receivables are considered to be approximately equal to their fair value. Rent receivable is non-interest bearing and typically due within 30 days.

### 8. Trade and other payables

	31 December 2012 £000s	30 June 2012 £000s
Investment manager's fee	421	358
Property manager's fee	28	32
Other	946	781
Tax payable (income, transfer, capital and other)	543	475
Interest payable on loan facility	283	411
Legal and professional fees	108	116
VAT payable	148	150
Audit fee	126	177
Administration and Company Secretarial fees	136	194
Rent prepaid	52	6
Directors' fees	10	13
Sponsor's fees	11	-
Total	2,812	2,713

Trade payables are non-interest bearing and are normally settled on 30-day terms.

# 9. Long-term loans

The Group has a 50% interest in the joint venture Property Trust Agnadello S.r.I. which holds bank debt of £9.22 million (€11.37 million) of which the Group's share is £4.61 million (€5.69 million) as at 31 December 2012 (30 June 2012: £6.48 million (€8.01 million)). The term of the loan has been extended for a further year until 13 December 2013 and as such, remains classified as a current liability on the Consolidated Statement of Financial Position as at 31 December 2012. The bank loan is secured over the property and assets of the joint venture. The Group has agreed to pay to the lender any surplus cash received on sales in the portfolio in excess of the allocated loan amount payable under the main loan facility. The payment amount is reduced to the extent that the total cash available to the Group is below €2.00 million. In any event, the Group is obliged to reduce the loan balance to €5.50 million by 14 March 2013 and to €2.00 million by 14 September 2013. The loan is to be fully repaid by 13 December 2013.

Non-current long-term loans were £44.25 million for the main facility with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") and Crédit Foncier de France ("Crédit Foncier"), and £0.09 million due to other third parties.

### **10. Financial instruments**

The table below summarises the amounts recognised in the income statement.

	31 December 2012 £000s	31 December 2011 £000s
(Loss)/gain on currency hedge	(962)	608
Loss on other derivatives	(7)	(99)
Total	(969)	509

The Group is exposed to various types of risk that are associated with financial instruments. The Group's financial instruments comprise bank deposits, cash, derivative financial instrument receivables and payables that arise directly from its operations. The carrying value of financial assets and liabilities approximate the fair value.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk, interest risk and currency risk. The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and have remained unchanged for the period under review.

# Notes to the Condensed Half Year Consolidated Financial Statements continued

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group's and Company's exposure and the credit-ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

#### Liquidity risk

The Group may encounter liquidity risk when realising assets or otherwise raising funds to meet financial commitments. Investments in property are relatively illiquid, however, the Group has mitigated this risk by investing in desirable properties in strong locations.

The Group prepares forecasts annually in advance which enable the Group's operating cash flow requirements to be anticipated and ensures that sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets safely and profitably. The Group also monitors the cash position in all subsidiaries to ensure that any working capital needs are addressed as early as possible.

On 21 August 2012, considering the approaching expiry of the loan at Agnadello on 14 December 2012, the Company announced the suspension of all future dividends in the short-term in order to focus on the reduction of the Group's debt and stated its intention to realise assets considered as non-core in order to achieve this reduction. Further, on 14 December 2012, the Company announced a proposal to commence a managed wind-down of the portfolio. In line with these objectives, realisations in 2013 are now underway to facilitate a paydown of the Agnadello facility in particular within the timeframes agreed with the lenders.

### Interest rate risk

Floating rate financial assets comprise the cash balances which bear interest at rates based on bank base rates. The Group is exposed to cash flow risk as the Group borrows funds under the loan facility with Crédit Agricole and Crédit Foncier at floating interest rates. The Group manages this risk by using interest rate swaps and caps denominated in Euro. At 31 December 2012, the Group had interest rate swaps with a notional contract amount of £46.09 million (€56.82 million) (30 June 2012: £45.97 million (€56.82 million)) and interest rate caps with a notional contract amount of £4.61 million (€5.69 million) (30 June 2012: £14.87 million (€18.37 million)).

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

As at 31 December 2012, the Group has interest rate swaps in place for the period of the main loan facility, effective from 1 July 2011 to 1 July 2016, to eliminate floating interest rate risk. Details of the hedging contracts are below:

	Counterparty	Contract Rate	Notional Amount
Interest Rate Swaps	Crédit Agricole	2.795%	€56.82 million

As at 31 December 2012, the Group has an interest rate cap in place for the period of the Agnadello loan facility, effective from 14 December 2012 to 13 December 2013, to eliminate floating interest rate risk. Details of the Group's 50% share of the hedging contract is below:

	Counterparty	Contract Rate	Notional Amount
Interest Rate Cap	Crédit Agricole	1.0%	€5.69 million

### Foreign currency risk

The European subsidiaries will invest in properties using currencies other than Sterling, the Company's functional and presentational currency, and the statement of financial position may be significantly affected by movements in the exchange rates of such currencies against Sterling. The Group will review and manage currency exposure in accordance with its hedging strategy.

As at 31 December 2012, the Group has hedged foreign currency exposure in respect of £0.90 million (€1.12 million) quarterly interest receipts in Euro through the use of cross currency swaps. All cross currency swap contracts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movement in exchange rates of the Euro against Sterling. The amounts deferred in equity are recycled in profit or loss in periods when the hedged item is recognised in the profit or loss. During the period ended 31 December 2012, the hedged item was recognised in profit and loss on a quarterly basis.

On 31 August 2012, the cross currency swap contract with National Australia Bank Ltd expired. As a result, in accordance with the Company's accounting policy, the previous hedge accounting balance retained in equity of £1.01 million in relation to this cross currency swap contract has been reversed to the income statement. In addition, the gain of £0.05 million for the period, relating to this contract, has been recognised in the income statement.

As at 31 December 2012, the Group has cross currency swaps in place for the period 16 August 2012 to 16 May 2014. Details of the hedging contracts are below:

	Counterparty	Contract Rate	Notional Amount
	Counterparty	Contract Nate	Notional Amount
Cross Currency Swaps	Crédit Agricole	4.0%	€112.00 million

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	Level 1 £000s	Level 2 £000s	Level 3 £000s
Liabilities measured at fair value			
Interest rate swaps and caps	-	4,013	-
Cross currency swaps	-	146	-
Total		4,159	

	Level 1	Level 2	Level 3
30 June 2012 Liabilities measured at fair value	£000s	£000s	£000s
Interest rate swaps and caps	-	3,742	-
Cross currency swaps	-	165	-
Total		3,907	-

# Notes to the Condensed Half Year Consolidated Financial Statements continued

# 11. Related party transactions

The Directors are responsible for the determination of the Company's investment objective and policy and have overall responsibility for the Group's activities including the review of investment activity and performance.

**Mr Hunter**, Chairman of the Company and **Mr Ray**, a Director of the Company, form the majority of the Directors of its subsidiaries, Property Trust Luxembourg 1 S.à r.l., Property Trust Luxembourg 2 S.à r.l. and Property Trust Luxembourg 3 S.à r.l. and are able to control the investment policy of the Luxembourg subsidiaries to ensure it conforms with the investment policy of the Company. **Mr Ray** is also a Managing Director of AXA Real Estate Investment Managers Belgium S.A.

**Mr Farrell**, a Director of the Company, is also a Partner in Mourant Ozannes, the Guernsey legal advisers to the Company. The total charge to the income statement during the period in respect of Mourant Ozannes legal fees was £2,192 (2011: £1,725), of which £2,192 (2011: £nil) remained payable at the period end.

**Mr Marren**, a Director of the Company, is also a Director of Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust"), the Administrator, Secretary and Registrar for the Company. The total charge to the income statement during the period in respect of Northern Trust administration fees was £102,500 (2011: £127,668), of which £51,250 (2011: £nil) remained payable at the period end.

Under the Investment Management Agreement, fees are payable to the Investment Manager, Real Estate Adviser and other entities within the AXA Group. These entities are involved in the planning and direction of the Company and Group, as well as controlling aspects of their day to day activity, subject to the overall supervision of the Directors. During the period, fees of £509,015 (2011: £660,932) were expensed to the income statement, of which £449,170 (2011: £344,622) remained payable at the period end.

All the above transactions were undertaken at arm's-length.

### 12. Commitments

#### Guarantees

The Company has provided mortgages over the properties in favour of the lenders, Crédit Agricole and Crédit Foncier, as security for the main loan facility.

In addition to the main loan facility, the Group has a 50% interest in the joint venture Property Trust Agnadello S.r.l. which holds bank debt of £9.22 million (€11.37 million), of which the Group's share is £4.61 million (€5.69 million), secured over the property and shares of the joint venture. Property Trust Agnadello S.r.l. has provided a guarantee to the lender, Crédit Agricole, for £4.61 million (€5.69 million) on a several basis. The joint venture partner, European Added Value Fund Limited, has guaranteed the remaining 50% of the loan.

# 13. Subsequent events

### **Asset Sales**

Since 31 December 2012, an offer has been received and accepted for the asset located in Dresden, Germany. The assessed fair value of this property as at 31 December 2012 was €1.97 million. Notarisation is expected to take place by the end of February 2013.

### Main loan facility

As at 31 December 2012, the loan-to-value ("LTV") ratio on the main facility was 46.25% based on the Fund's valuation, and after the paydowns during July 2012 and December 2012. The new LTV covenant on this facility now stands at 60% from 2 July 2012 until its expiry on 1 July 2016.

### **Liquidation of SPVs**

The Manager will seek to merge or wind up redundant holding companies from planned disposals within a short time frame to avoid ongoing administrative expenses.

### **Suspension of dividends and Strategy**

The Company will continue its strategy of deleveraging following completion of each of the planned sales. Preparation is underway for a consultation document with Shareholders on the proposed change of strategy toward a managed wind-down of the Company, such document to be reviewed and approved by Shareholders at an Extraordinary General Meeting planned for April 2013.



### **Directors (All non-executive)**

C. J. Hunter (Chairman)

G. J. Farrell

R. G. Ray

J. M. Marren

S. C. Monier

### **Registered Office**

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### **Real Estate Adviser**

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### **Administrator, Secretary and Registrar**

Northern Trust International Fund
Administration Services (Guernsey) Limited
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### Auditor

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